DOCUMENT RESUME

ED 291 825 UD 026 019

TITLE The New Reductions in Low Income Programs in FY 1988.
INSTITUTION Center on Budget and Policy Priorities, Washington, DC.
PUB DATE Jan 88
NOTE 11p.
PUB TYPE Reports - General (140) -- Statistical Data (110)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Budgeting; Disadvantaged; Eligibility; *Family Programs; *Federal Aid; Financial Support; Low Income; *Poverty; Programs; *Public Policy; Retrenchment; Welfare Recipients; *Welfare Services

ABSTRACT

An analysis of fiscal year 1988 funding levels shows that there will be many cuts in programs for the poor. The programs which will be affected the most are those which pay heating bills for poor households, those which provide emergency food and shelter for the homeless, and those which provide housing assistance for low income elderly and handicapped people. Some of these categories have been cut in half since 1981. Originally the budget resolution had called for funding at 1987 levels plus inflation, but when Congress and the White House negotiated the deficit reduction package funding for these programs was reduced. A few programs, such as supplemental food programs and compensatory education programs have received increases, but many of these programs currently reach only about 40 percent of those eligible for them. Budget increases in some categories will be offset by cuts in the funding to agencies which provide the services. Funding levels and changes in funding for low income programs are presented in three tables. (VM)

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3-1-88

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LOW INCOME PROGRAMS CUT BY DECEMBER'S FINAL BUDGET DECISIONS

EXECUTIVE SUMMARY

An analysis of final fiscal year 1988 funding levels recently released by the Center on Budget and Policy Priorities shows that the budget decisions made last month by Congress and the President included a new round of cuts in programs for the poor.

Total fiscal year 1988 appropriations for low income programs other than entitlement programs are $750 million lower than the levels estimated by the Congressional Budget Office (CBO) as being needed to maintain last year's benefit and service levels.

These reductions will affect such programs as those that help poor households pay heating bills, that distribute funds to charitable organizations for emergency food and shelter for the homeless, and that provide housing assistance for low income elderly and handicapped people.

Since 1981, low income non-entitlement programs have been hit harder than any other part of the federal budget, the analysis finds. Appropriations for these programs totaled $62.8 billion in fiscal year 1981, but will equal only $38.1 billion this fiscal year. After adjusting for inflation, this represents a reduction of 54 percent.

This category of programs, which provides health, education, housing, job training and other services for low income families, children and elderly people, has been cut in half since the beginning of this decade. This has occurred despite the fact that poverty remains at high levels in the United States. The poverty rate for 1986, the latest year for which poverty data are available, is higher than the poverty rate for any year in the 1970s, including the years during the 1974-1975 recession.

The FY 1988 Congressional budget resolution had called for virtually all low income programs to be funded at least at FY 1987 levels plus inflation. It had also included funding increases for several programs regarded as particularly effective in assisting poor children. Many of these funding assumptions were reflected in appropriations bills which began moving through Congress last summer and early fall.

However, when the deficit reduction package negotiated by the White House and Congressional leaders was implemented in December, the funding levels for many of these low income programs were reduced.

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The largest FY 1988 budget reduction for a program serving the poor came in the low income energy assistance program which helps poor households pay high heating bills. According to Congressional Budget Office estimates, this program was cut 19.3 percent below the amount required to maintain last year's benefit levels, after adjusting for inflation. This cut is the deepest reduction in any low income program since the 1982 budget cycle.

Other low income programs reduced in the FY 1988 budget include:

- the emergency food and shelter program, a major source of federal funding for shelters for the homeless and for soup kitchens, cut 12.3 percent;

- housing assistance for low income elderly and handicapped people, cut 8.6 percent.

A few low income programs received increases: the Special Supplemental Food Program for Women, Infants and Children (WIC) received a five percent increase over last year's levels, after adjusting for inflation, and the compensatory education program for disadvantaged children received a four percent increase.

However, both programs currently reach only about 40 percent of those eligible for them due to funding limitations. The WIC increase will enable an additional 150,000 low income pregnant women, infants, and children to be reached, which will raise the proportion of eligible low income women and children served by the program to grow by two percentage points.

In addition, Congress approved a new $20 million initiative to improve infant mortality, but at the same time cut $17 million in other funds from the Community Health Centers program charged with primary responsibility for implementing the initiative. The $17 million reduction occurred when appropriations levels for health and human services programs were cut across the board by 4.26 percent to comply with the summit agreement.

Several low income entitlement programs will be expanded slightly in FY 1988 as a result of Congressional actions last year. The expansion in these programs will result in $127 million in increased benefits and will come principally through extending Medicaid to more poor pregnant women and young children and raising food stamp benefits for some people at risk of becoming homeless. (The food stamp provisions were included in legislation to aid the homeless which was enacted last summer.) However, these entitlement increases offset only about one-sixth of the FY 1988 reductions in non-entitlement programs for low income people and constitute a small fraction of the large cuts in low income entitlement programs made in the early 1980s.

The Center on Budget and Policy Priorities is an independent, nonprofit, research organization in Washington, D.C., that studies the impact of federal and state policies and programs on low and moderate income Americans.

January 21, 1988

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THE NEW REDUCTIONS IN LOW INCOME PROGRAMS IN FY 1988

An analysis of final fiscal year 1988 funding levels shows that programs for the poor lost ground again last year, despite initial Congressional plans not to cut these programs in the fiscal year 1988 budget and a provision in the budget summit agreement calling for their protection. Total FY 1988 appropriations for low income non-entitlement programs fell $750 million below the amounts estimated by the Congressional Budget Office (CBO) as needed to maintain FY 1987 benefit and service levels, after adjusting for inflation.

Based on CBO estimates, a total of a little more than $38.8 billion in appropriations was necessary to maintain "current service" levels for these programs. Appropriations of slightly under $38.1 billion -- $750 million less -- were enacted. A total of $37.6 billion was appropriated for these programs in FY 1987 (see Table 1).

While this reduction from the levels needed to maintain FY 1987 service levels is not large in itself (it represents a cut of approximately two percent), it compounds especially deep reductions made in low income non-entitlement programs earlier in the 1980s. Appropriations for these programs totalled $62.8 billion in FY 1981, far above the current levels.* Total FY 1988 appropriations for these programs are 54 percent below total FY 1981 levels, after adjusting for inflation, making this the mostly deeply cut part of the federal budget during this decade. In dollar terms, total FY 1988 appropriations for low income non-entitlement programs are $44.7 billion below FY 1981 levels, after adjusting for inflation (see Table 2).

Reductions Since FY 1981

In the FY 1981 through FY 1988 period, the largest reductions have come in appropriations for subsidized housing, which plunged from more than $30 billion in fiscal year 1981 to less than $8 billion in fiscal year 1988. This represents a decline of more than 80 percent, adjusting for inflation.

Many other programs have also been reduced substantially since FY 1981: appropriations levels have dropped 81 percent for the Work Incentive program, which provides job training to welfare recipients; 68 percent for other employment and training programs; 47 percent for housing assistance for the elderly and handicapped; 37 percent for the low income energy assistance program; and 28

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*The FY 1981 appropriations levels used here are the levels that were in place when the Reagan Administration took office, prior to rescissions implemented by the Administration in the spring of 1981.

percent for legal services. Total appropriations for low income non-entitlement programs other than subsidized housing fell 29.3 percent (or $12.6 billion) during this period, after adjusting for inflation.*

Reductions in FY 1988

While most of the funding reductions in low income programs from FY 1987 to FY 1988 were relatively modest, some new cuts of considerable magnitude were made. The deepest cut in a major program was a 19.3 percent reduction in the low income energy assistance program, which assists low income households in meeting heating and cooling bills. In FY 1987, some $1.822 billion was appropriated for this program; CBO projected that $1.899 billion was needed in FY 1988 if FY 1987 service levels were to be maintained. Instead, $1.532 billion was provided -- $290 million below the FY 1987 level and $367 million below the CBO "current services" level for FY 1988. This 19.3 percent cut represents the largest reduction in any major low income program since the 1982 budget cycle.

Other reductions in FY 1988 funding levels include:

- a 12.3 percent reduction in the Emergency Food and Shelter Program, a primary federal funding source for homeless shelters and soup kitchens.
- a 10.3 percent reduction in the Community Services Block Grant, which funds local anti-poverty agencies.
- an 8.4 percent reduction in public housing operating subsidies. This cut is expected to reduce funds for security and maintenance of public housing, despite large projected needs to modernize the existing public housing stock.

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*The deep reductions in appropriations for subsidized housing during this period are not matched by decreases in outlays for subsidized housing. In many subsidized housing programs, funds appropriated in a given year are actually spent over periods of as much as 20 years. Trends in subsidized housing outlays during the 1980s reflect, in part, housing commitments and housing projects undertaken during the 1970s, and subsidized housing outlays have risen in this decade as a result. Part of the large reductions of recent years in appropriations for subsidized housing will be reflected in outlays levels in the future. It should also be noted that because of growing shortages in low rent housing, the numbers of low income households spending excessive proportions of their incomes on rent have risen sharply in recent years, despite growth in subsidized housing outlays. Census data analyzed by the General Accounting Office show that the number of low income renter households spending more than half of their income on rent and utilities climbed from 3.7 million households in 1975 to 6.3 million in 1983 (the latest year for which these data are available). In 1983, half of all renter households in the U.S. with incomes below $7,000 a year spent at least 60 percent of their income on rent and utilities.

- an 8.6 percent reduction in housing assistance for the elderly and the handicapped, reducing by 1,000 the number of new units provided to low income elderly and disabled people.

A few low income programs did receive funding increases, including a five percent increase (above current services levels) for the Special Supplemental Food Program for Women, Infants, and Children (WIC), and a four percent increase for compensatory education for disadvantaged children. Due to funding limitations, both of these programs now reach only about 40 percent of the low income people who are eligible for them.

In addition, Congress approved a $20 million initiative to improve infant mortality, but at the same time cut $17 million in other funds from the Community Health Centers program and $2 million from the Migrant Health program, which are charged with implementing the new initiative.

There were also some small increases above current services levels in low income entitlement programs such as Medicaid and food stamps. Medicaid eligibility for low income pregnant women and children was expanded, and several food stamp provisions aimed at aiding the homeless or those at risk of becoming homeless were included in the Stewart McKinney Homeless Assistance Act passed last summer.

However, total FY 1988 increases in all low income entitlements totalled just $127 million, according to CBO estimates (see Table 3). These increases offset only about one-sixth of the amount that low income non-entitlement (or discretionary) programs were reduced below current services levels. When low income discretionary and entitlement programs are considered together, there remains a net reduction of approximately $625 million below current services levels.

How The Reductions Were Enacted

The FY 1988 Congressional budget resolution adopted last June assumed that virtually all low income programs would be maintained at least at current services levels, that Medicaid eligibility for low income women, young children, and the elderly would be broadened, and that increases would be provided for Head Start, WIC, compensatory education, and several other programs demonstrated as effective in assisting poor children. In Congressional action in the summer and early fall, many of these proposed funding levels began to be translated into legislation.

In November, however, the budget summit agreement negotiated between Congress and the White House effectively overrode the budget resolution and appropriations bills and lowered total spending for non-entitlement programs. Although the summit agreement included a provision that declared, "The President and Leadership agree that, in implementing this agreement, essential programs serving the poor, including the elderly, should be a priority," this statement had little impact when the overall funding ceilings in the summit agreement had to be translated into specific cuts on a program-by-program basis.

When the summit agreement was actually implemented, large numbers of non-entitlement programs, including low income programs, had their funding levels reduced from those in the House and Senate appropriations bills. Among the programs hardest hit were health, education, social services, and job training programs under the jurisdiction of the Labor, Health and Human Services Appropriations Subcommittees. To comply with the summit agreement, virtually all non-entitlement programs under these Subcommittees' jurisdictions were reduced 4.26 percent from the levels that would otherwise have been provided. As a result, programs such as the low income energy assistance program that were already slated for cuts were reduced more deeply. Some programs not scheduled to be cut were sliced below current services levels, and others, such as the migrant health program, were cut below FY 1987 "freeze" level. Finally, some programs scheduled for increases saw nearly all of the scheduled increase disappear.

One example where an intended increase disappeared occurred with the Head Start pre-school program for disadvantaged children. While the House and Senate had both initially approved appropriation increases for Head Start of more than 5.5 percent over the current services level, the final funding level was only 1.3 percent above this level. As many as 20,000 more poor children could have received pre-school services had the full increase been approved. Despite producing improvements in educational and employment achievements and demonstrated cost-effectiveness, Head Start currently serves fewer than 20 percent of the low income children who are eligible for it.

January 21, 1988

TABLE 1: FY 1988 BUDGET OUTCOMES:
CHANGES IN LOW INCOME DISCRETIONARY PROGRAMS

DISCRETIONARY LOW INCOME PROGRAMS (IN MILLIONS)	ACTUAL FY 1987 BA	CBO FY 1988 CURRENT 1/ SERVICES BASELINE	ACTUAL FY 1988 BA 2/	ACTUAL vs. CBO BASE	PERCENT CHANGE
CHILD WELFARE SERVICES	223	234	239	5	2.1%
COMMODITY SUPPLEMENTAL FOOD PROGRAMS	41	43	50	7	16.3%
COMMUNITY DEVELOPMENT BLOCK GRANT	3,000	3,115	2,880	-235	-7.5%
COMMUNITY SERVICES BLOCK GRANT	405	426	382	-44	-10.3%
COMPENSATORY EDUCATION (CHAPTER 1)	3,951	4,153	4,337	184	4.4%
EMERGENCY FOOD AND SHELTER	125	130	114	-16	-12.3%
FINANCIAL AID FOR NEEDY STUDENTS	5,483	5,421	5,545	124	2.3%
FOOD DONATIONS	194	202	194	-8	-4.0%
HEADSTART	1,131	1,190	1,206	16	1.3%
HEALTH CARE SERVICES 3/					
Community Health Centers	420	400	383	-17	-4.3%
Infant Mortality Initiative	0	0	20	20	N.A.
Health Care for the Homeless	46	49	14	-35	-71.4%
Immunization Grants	75	78	86	8	10.3%
Maternal & Child Health	497	508	527	19	3.7%
Migrant Health	45	45	43	-2	-4.4%
HIGHER EDUCATION PROGRAMS (TRIO)	176	185	206	21	11.4%
HOMELESS SHELTER PROGRAMS 4/	160	19	73	54	N.A.
HOUSING ASSISTANCE FOR THE ELDERLY 5/	508	608	556	-52	-8.6%
INDIAN EDUCATION	336	359	305	-54	-15.0%
INDIAN HEALTH	932	994	1,009	15	1.5%
LEGAL SERVICES	306	320	306	-14	-4.4%
LOW INCOME ENERGY ASSISTANCE	1,822	1,899	1,532	-367	-19.3%
LOW INCOME WEATHERIZATION	161	167	161	-6	-3.6%
OLDER AMERICANS EMPLOYMENT	336	350	331	-19	-5.4%
PUBLIC HOUSING OPERATING SUBSIDIES	1,350	1,583	1,450	-133	-8.4%
SOCIAL SERVICES BLOCK GRANT (TITLE XX)6/	2,700	2,700	2,700	0	0.0%
SUBSIDIZED HOUSING	7,642	7,850	7,682	-168	-2.1%
TEMPORARY EMERGENCY FOOD ASSISTANCE	50	52	50	-2	-3.8%
TRAINING AND EMPLOYMENT SERVICES	3,700	3,895	3,805	-90	-2.3%
WORK INCENTIVE PROGRAM (WIN) 7/	126	132	93	-39	-29.5%
WIC	1,663	1,715	1,802	87	5.1%
TOTAL DISCRETIONARY PROGRAMS	37,604	38,822	38,081	-753	-1.9%

Notes for Table 1

1/ The CBO Current Services Baseline is CBO's estimate of how much funding would be necessary to maintain the FY 1987 level of services in FY 1988, and reflects adjustments for inflation from FY 1987 to FY 1988.

2/ The numbers in the third column, Actual FY 1988 BA, are the FY 1988 appropriation levels.

3/ The $20 million infant mortality initiative will be divided between Community Health Centers ($19 million) and Migrant Health ($1 million).

4/ The Stewart McKinney Homeless Assistance Act and the FY 1988 Supplemental Appropriation Act provided funding for shelter programs to assist the homeless. These programs were funded at $160 million in FY 1987. However, some of this funding was not used in FY 1987 and will be carried over into FY 1988. The CBO baseline does not reflect the increased level of FY 1987 funding for these programs because of the late date of its approval.

5/ Housing for the Elderly and Handicapped is a loan program. The amount listed here is loan authority rather than budget authority.

6/ The Social Services Block Grant program received a $50 million authorization increase to $2.75 billion for FY 1988 only. However, the program received an appropriation of $2.7 billion. For the additional $50 million to materialize, it will have to be approved in a supplemental appropriations bill.

7/ FY 1988 funding for the WIN program is likely to be for operating the program through June 1988 in anticipation of the enactment of welfare reform legislation.

Table 2: Changes in Low Income Discretionary Programs
FY 1981 - FY 1988
(in millions)

Discretionary Low Income Programs	FY 1981 BA[1]	FY 1988 BA	FY 1988 vs. FY 1981 (after inflation)[2]	Percent Change (after inflation)
Total Discretionary Programs With Subsidized Housing	62,796	38,081	-44,678	-54.0%
Total Discretionary Programs *Without* Subsidized Housing	32,626	30,399	-12,599	-29.3%

NOTE: Low income discretionary programs include Child Welfare Services, Commodity Supplemental Food Programs, Community Development Block Grants, Community Services Block Grants, Compensatory Education (Chapter 1), Emergency Food and Shelter, Financial Aid for Needy Students, Food Donations, Head Start, Community Health Centers, Health Care for the Homeless, Immunization Grants, Maternal and Child Health, Migrant Health, Higher Education Programs (TRIOs), Homeless Shelter Programs, Housing Assistance for the Elderly and Handicapped, Indian Education, Indian Health, Legal Services, Low Income Energy Assistance, Low Income Weatherizaiton, Older Americans Employment, Public Housing Operating Subsidies, Social Services Block Grant (Title XX), Subsidized Housing, Temporary Emergency Food Assistance, Training and Employment Services, the Work Incentive Program (WIN), and the Special Supplemental Food Program for Women, Infants and Children (WIC).

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1. FY 1981 budget authority levels at the start of the Reagan Administration, prior to rescissions implemented by the administration in the spring of 1981. The numbers in this column are not adjusted for inflation.

2. Inflation from FY 1981 to FY 1988 is calculated using Consumer Price Index FY87/FY81, and assumes a 4.2 percent inflation factor for FY 1988, as reflected in the Summit Agreement. Total inflation adjustment for FY 1981 to FY 1988 is 31.79 percent.

Table 3. Changes in Entitlement Spending Resulting from Legislation Enacted in 1987
(in millions of dollars)

	FY 1988	FY 1989	FY 1990
AFDC	$ 2	$ 9	$ 9
Child Nutrition	5	6	7
Food Stamps	64	79	75
Medicaid	44	209	335
Supplemental Security Income (SSI)	12	53	55
Total Means-Tested Entitlement	127	356	481

1. FY 1988 and FY 1989 spending reflects estimated costs of legislative changes mandated by Congress in 1987. These changes will be phased in over time and will result in increased expenditures.

2. Food stamp spending in FY 1990 is projected to decrease because a specific legislative provision pertaining to New York City will expire at the end of FY 1989.